

**Internal Revenue Service**

Appeals Office  
312 Elm Street, Suite 2330  
Cincinnati, OH 45202-2763

**Department of the Treasury**

**Taxpayer Identification Number:**

**Release Number: 201301021**

**Release Date 1 /4/2013**

**Date: October 11, 2012**

**Person to Contact:**

A  
B  
C

**Tax Period Ending:**

**Certified Mail**

UIL: 501.32-00  
501.32-01  
501.33-00

Dear :

This is our final adverse determination regarding your request for recognition of exempt status under section 501(c)(3) of the Internal Revenue Code (the "Code"). It is determined that you do not qualify as exempt from Federal income tax under section 501(c)(3) of the Code effective October 1, 2004, the date your trust was funded in the State of D.

Our adverse determination was made for the following reason(s):

You have not established that you are operated exclusively for exempt purposes described in section 501(c)(3) of the Code. Specifically, you have not shown that a substantial part of your activities does not serve the private interests of your trustee and founder, and other individuals. Additionally, you have not demonstrated that no part of your net earnings inures to the benefit of a private shareholder or individual. Specifically, you have not shown that various payments made to businesses and individuals related to your trustee and founder have not resulted in net earnings flowing to your trustee and founder. You also have not provided sufficient detail about your operations with your application for exemption as required by Treas. Reg. § 601.201(n)(1)(ii) and Rev. Proc. 2012-9.

Contributions to your organization are not deductible under section 170 of the Code.

You are required to file Federal income tax returns on Form 1120 and/or Form 1041 for the tax period ending shown in the heading of this letter and for all tax years thereafter. File your return with the appropriate Internal Revenue Service Center per the instructions of the return. For further instructions, forms, and information please visit [www.irs.gov](http://www.irs.gov).

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Code.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination letter was mailed to you. Please contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment. To secure a petition form from the United States Tax Court, write to the United States Tax Court, 400 Second Street, N.W., Washington, D.C. 20217. See also Publication 892.

You also have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court. The Taxpayer Advocate can however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. If you want Taxpayer Advocate assistance, please contact the Taxpayer Advocate for the IRS office that issued this letter. You may call toll-free, 1-877-777-4778, for the Taxpayer Advocate or visit [www.irs.gov/advocate](http://www.irs.gov/advocate) for more information.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely Yours,

Appeals Team Manager

Enclosure: Publication 892

CC:



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

Date: Jan 13, 2012

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

**LEGEND:**

B = Name  
C = Name  
D = Name  
E = Name  
F = Name  
G = Name  
H = Name  
J = Name  
K = Name  
U= Date  
V= Name  
W = Date  
X = Name

**UIL:**

501.32-00  
501.32-01  
501.33-00

b dollars=amount  
c dollars= amount  
d dollars= amount

Dear

We have considered your application for recognition of exemption from federal income tax under Internal Revenue Code ("Code") section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under Code section 501(c)(3). The basis for our conclusion is set forth below.

**Issues**

1. Do your activities serve the impermissible private benefit of B and result in prohibited inurement in contravention of section 501(c)(3) of the Code? Yes, for the reasons stated below.
2. Did you substantiate that you are operating for charitable purposes within the meaning of Section 501(c)(3)? No, for the reasons stated below.

**Facts:**

You applied for exemption under Section 501(c)(3) on U. During the processing of your request for exemption, your case was closed twice failure to establish because you did not timely respond to information requests about your activities and operations. In addition, we wrote eleven additional information letters in order to find out about your operations. In total the processing of your application has been ongoing for over five years, largely due to your very slow and vague nature of responding to our requests for information.

B, your founder, settler, and trustee is in the business of developing land to operate nursing homes. B controls and is the manager of G, an LLC that holds real estate. G has three members including J, a trust, which owns % of G. B is J's beneficiary while B's wife is J's manager.

B has had a long-standing relationship with C who is a recognized professional in the state of V. You hired C to establish a private foundation. C therefore, set up a trust for you funded on W in the state of X and filed the Form 1023 on your behalf. C provided no other assistance to you.

Your trust document provides that you were formed as a non-profit charitable foundation to receive, hold, and administer funds, securities, gifts and bequests, and to use, disburse or donate the income or principal thereof for charitable, religious, educational, literary and scientific purposes, provided that the trust shall not operate or maintain an educational institution. Your trust document provides that you can maintain a fund or funds of real or personal property or both to directly or indirectly support charitable, religious, scientific, literary and educational activities and organizations; to make distributions to organizations that are authorized to carry on activities for any charitable, educational, scientific, religious or cultural purposes, and that qualify as exempt organizations under Code section 501(c)(3) or corresponding provisions of any subsequent federal tax laws.

Your activities in the initial Form 1023 are "to invest and reinvest the initial contribution using the net income and principle to make grants and contributions to public charities."

You made the following investments to G, which you described as "participation in a first mortgage secured by real estate":

- Fifteen months after your formation, you provided G an amount of b dollars to assume mortgages held by its minority members
- Approximately two years later, you provided G an additional total amount of c dollars to assume mortgages also held by its minority members.

You stated the "annual interest paid by G is %" a higher figure than the "4-5% return on the money if invested in certificate of deposits."

In 20 , after repeated requests, you provided copies of the two recorded mortgage documents and two assignments of note documents involving these investments. B signed the recorded mortgage documents as G's manager. B on your behalf also signed the assignment of note documents .

The following characterize the notes:

- The assignment of note documents were not dated as relating to their execution. One was notarized in late 20 and the other in late spring of 20 .

- The assignment of note documents state for both recorded mortgages that "one-third of the assignor's right, title, and interest in and to the note" was assigned.

G also made distributions to J from years 20 to 20 that totaled almost the exact amount you provided to G.

J made the following distributions:

- J donated a total of almost to you from 20 through 20
- J also made distributions to B in 20 and 20 totaling over dollars.

You also made the following disbursements to entities or persons in which B has a business relationship:

- A disbursement of d dollars was made to K, a for profit management company within a year of your formation. The funds were paid back plus earnings the following year. K is owned by a business partner of B.
- A disbursement of b dollars was made to D, a real estate lawyer in 20. This was a loan secured by the equity in H, an entity % owned and managed by B.
- In 20, a disbursement of over \$ was made to E, an attorney and business owner who has a business relationship with B. You did not provide loan documents, the loan purpose, and the collateral for the loan. You wrote the loan "was transferred to E in order to sit in E's escrow account until a closing was to occur." This loan was repaid four years later.

In addition, you donated several thousand dollars to numerous organizations for charitable purposes. You were unable to show that the recipients were exempt under Section 501(c)(3) nor did you obtain reports from the recipients to show how you maintained control and discretion over your funds to ensure your funds exclusively furthered exempt purposes.

Your Form 1023 also contained information that was later indicated to be inaccurate. For example:

- You indicated your revenues would average below \$ per year and you paid the lower user fee. You subsequently submitted financial showing you had received over before the Form 1023 application was submitted and you subsequently paid the additional user fee.
- You indicated that you would have no leases, contracts, loans, or other agreements with any organization in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest. You subsequently provided information about your relationships with several related entities.
- You indicated that you have not entered into, or will not enter into joint ventures, including partnerships or limited liability companies treated as partnerships, in which you share profits and losses with partners other than Code section 501(c)(3) organizations. You subsequently provided information about your relationships with several related for



profit entities.

- You indicated you do not have a close connection with any other organizations. You subsequently provided information about your relationships with G, H, and K.
- You explained in the Form 1023 concerning grants and contributions to public charities, that you "select only tax exempt organizations that establish intended charitable purposes and provide written reports confirming use of funds to further charitable purposes." You stated subsequently, "All organizations are requested or searched on line at irs.gov to confirm that the organization is exempt. You later wrote that funds were provided to the organizations as general donations," "there were no restrictions on the funds provided," and "[n]o documentation was requested from the organizations as to the use of funds. Furthermore, you did not show that the recipients of donations were exempt under Section 501(c)(3).

Lastly, you were non-responsive or provided contradicting information in our information requests. For example:

- You were asked to provide distributions that J made to B since your inception. You only provided 20 and 20 distributions. You did not explain why you did not provide the information for the prior years 20, 20, or 20.
- The assignment of note documents from G were not dated as relating to their execution but they were notarized in November 20 and June 20. You did not explain why the dates of the assignments were notarized after funds were initially paid to G or why these two assignments were notarized more than two and a half years apart.
- You did not explain why only "one-third" was allocated in each assignment of note and not the full interest in the recorded mortgages. You did not explain why the subsequent disbursements were made more than two years before the second assignment of note.
- You were asked to describe K's business but did not respond. You wrote that M was acting as your agent and that K was owned by F, an unrelated third party. Later you explained that B and F have a "business relationship" being "jointly invested" in some partnerships together.
- At first, you indicated your disbursement to D was a secured investment by the equity in the real estate holdings of H. We sent to you public documents about this disbursement showing this was a loan and B had signed the mortgage as the manager of H. In a subsequent response you stated that H is an LLC % owned by B. You eventually wrote that this disbursement was a loan to H and is secured by the equity in the company.
- Concerning your disbursement to E in 20, you were asked to provide loan documents, the loan purpose, the collateral for the loan, and whether E was connected to B by family or business relationship. You did not provide this information.

Law:

Section 501(c)(3) of the Internal Revenue Code ("Code") provides for the exemption from federal income tax of organizations organized and operated exclusively for charitable, educational and other purposes, including the prevention of cruelty to children or animals provided that no part of the net earnings inure to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the regulations provides that, in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities that accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(c)(2) of the regulations provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. Section 1.501(a)-1(c) defines the words "private shareholder or individual" to mean persons having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations states that an organization is not operated exclusively for one or more exempt purpose unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Rev. Rul. 67-149 1, 1967-1 C.B. 133, describes an organization that was formed for the purpose of providing financial assistance to several different types of organizations, exempt from federal income tax under Code section 501(c)(3). It carried on no operations other than receiving contributions and incidental investment income to make distributions to such exempt organizations. Accordingly, the organization was held to be exempt from federal income tax under Code section 501(c)(3).

Rev. Rul. 68-489, 1968-2 C.B. 210, describes an organization exempt from federal income tax under Code section 501(c)(3) that distributed part of its funds to organizations not themselves exempt under that provision. The exempt organization ensured use of the funds for Code section 501(c)(3) purposes by limiting distributions to specific projects that were in furtherance of its own exempt purposes. It retained control and discretion as to the use of the funds and maintains records establishing that the funds were used for 501(c)(3) purposes.

Rev. Rul. 69-266, 1969-1 C.B. 152, describes an organization, which was created and controlled by a medical doctor. The organization employed the doctor to conduct a program of "medical research" which consisted of the doctor treating his patients on a fee for service basis. The organization was held not to be exempt under Code section 501(c)(3) because it served the doctor's private interest.

Rev. Rul. 81-94, 1981-1 C.B. 330, describes a nonprofit organization formed by a professional nurse. The organization described itself as a church. The nurse functioned as the church's minister, director, and principal officer and "donated" the money from his/her outside employment to the church. The only function the church performed was acting as a vehicle for handling the nurse's personal finances. The revenue ruling held that the church was not exempt

because it served the private interests of a designated individual rather than the public interest.

Revenue Procedure 2011-9, Section 4.01, provides that the Internal Revenue Service will recognize the tax-exempt status of an organization only if its application and supporting documents establish that it meets the particular requirements of the section under which exemption from federal income tax is claimed. Section 4.03 provides that exempt status may be recognized in advance of the organization's operations if its proposed operations are described in sufficient detail to permit a conclusion that it will clearly meet the particular requirements for exemption pursuant to the section of the Code under which exemption is claimed. Section 4.03(2) states that the organization must fully describe all of the activities in which it expects to engage, including the standards, criteria, procedures or other means adopted or planned for carrying out the activities, the anticipated sources of receipts, and the nature of contemplated expenditures.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 179 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

Best Lock Corporation v. Commissioner, 31 T.C. 620 (1959), describes an organization that made loans to family members and unsecured loans to friends of the founder and his family. The court determined that these loans promoted private rather than charitable purposes. The court upheld the denial of recognition of Code section 501(c)(3) status of the organization even though the loans were repaid.

Leon A Beechly v. Commissioner, 35 T.C. 490 (1960), provides that where an exempt organization engages in a transaction with a related interest and there is a purpose to benefit the private interest rather than the organization, exemption may be lost even though the transaction ultimately proves profitable for the exempt organization.

In Harding Hospital, Inc. v. United States, 505 F.2d 1068 (1974), the court held that an organization seeking a ruling as to recognition of its tax exempt status has the burden of proving that it satisfies the requirements of the particular exemption statute. Whether an organization has satisfied the operational test is a question of fact.

In Bubbling Well Church of Universal Love, Inc. v. Commissioner, 74 T.C. 531 (1980), in an action for declaratory judgment pursuant to section 7428(a), the Tax Court considered an adverse ruling by the IRS on an application for exempt status as a church. The applicant had declined to furnish some information, and made answers to other inquiries that were vague and uninformative. Based on the record, the Court held that the applicant had not shown that no part of its net earnings inure to the benefit of the family or that petitioner was not operated for the private benefit of its founders.

In National Association of American Churches v. Commissioner, 82 T.C. 18 (1984), the court denied a petition for declaratory judgment that the organization qualified for exempt status as a church. In addition to evidence of a pattern of tax-avoidance in its operations, the court noted that the organization had failed to respond completely and candidly to IRS during administrative processing of its application for exemption. An organization may not declare what information or



questions are relevant in a determination process. It cited a number of declaratory relief actions that upheld adverse rulings by the Service because of the failure of the applicants to provide full and complete information on which the Service could make an informed decision.

In United States v. Wells Fargo Bank, 485 U.S. 351, 108 S. Ct. 1179, 99 L. Ed. 2d 368 (1987) the Supreme Court held that an organization must prove unambiguously that it qualifies for a tax exemption.

In Peoples Prize v. Commissioner, T.C. Memo 2004-12 (2004), the court upheld the Service's determination that an organization failed to establish exemption when the organization failed to provide requested information. The court stated, "[Applicant] has, for the most part, provided only generalizations in response to repeated requests by [the Service] for more detail on prospective activities .... Such generalizations do not satisfy us that [applicant] qualifies for the exemption."

In New Dynamics Foundation v. United States, 70 Fed.Cl. 782 (2006), the court found that the administrative record supported the Service's denial on the basis that the organization operated for the private benefit of its founder, who had a history of promoting non exempt schemes. The organization claimed that the founder had resigned and it had changed. However, there was little evidence of change other than replacement of the founder with an acquaintance who had no apparent qualifications. The court ruled against the applicant, stating that it had failed to bear its burden of proof to establish that it qualified for exemption. The court said, "It is well-accepted that, in initial qualification cases such as this, gaps in the administrative record are resolved against the applicant".

#### Application of Law:

##### Issue 1

You are not as described in section 501(c)(3) of the Code and section 501(c)(3)-1(a)(1) of the regulations because you do not satisfy the operational requirements of the Code and regulations. You are not operated exclusively for exempt purposes due to net earnings inuring in whole or in part to your trustee, B, substantial private benefits accruing to individuals associated with B, and the furthering of more than an insubstantial number of nonexempt purposes.

You are not described in Section 1.501(c)(3)-1(c)(1) of the regulations. B has a personal and private interest in your investment activities, which includes B's business operations conducted by or through G, H, and J.

You are not described in Section 1.501(c)(3)-1(c)(2) of the regulations. You made two disbursements of b dollars to G, to invest in B's holdings. G also distributed funds to J controlled by B's wife. Moreover, J made tax-deductible distributions to you. J also made distributions to B for his personal use. These transactions indicate that your net earnings are inuring to your founder, a private shareholder.

You are not described in Section 1.501(c)(3)-1(d)(1)(ii) of the regulations. You are operating for the private interest of individuals and entities associated with B. The fact that you invested in entities controlled by B and subsequently received only partial interest in the Assignment of Notes indicates you are operating to benefit these entities and B.

You are not similar to the organization in Rev. Rul. 67-149 or Rev. Rul. 68-489. You did not explain how your distributions to organizations not described in Section 501(c)(3) exclusively furthered a Code section 501(c)(3) purpose. You did not show how you maintained sufficient control and discretion to ensure your funds were used exclusively to further your intended exempt purposes. You did not show that you have had adequate control and discretion. You did not demonstrate that before making a distribution you obtained written agreements or had procedures to follow up. You did not require reports to check that funds furthered your intended charitable purposes.

You are similar to the organization described in Rev. Rul. 69-266. B is using you as a tool to avoid income taxation. For example, J made distributions to you in 20 and 20 that totaled over \$ . These disbursements offset the taxable income of J, which received most if not all of its income from G. You also received interest payments from your investments in G starting in 20 . These interest payments were deductions against G's taxable income. Both the distributions and interest payments had the net result to reduce or eliminate taxable income for G's members, including J. This allowed B to continue to have use of funds donated to you to further B's business and investment interests, and to reduce or eliminate taxable income.

You are similar to the organization in revenue ruling 81-94 because you are operating to serve the private interests of B because B is using you as a vehicle to manage his finances.

You are like the entity in Leon Beeghly v. Commissioner because you made investments that had a purpose to benefit B. For example,

- You made disbursements to G as investments. However, your funds disbursed to G ended up in part being paid to B through J. Furthermore, your transfer of assets to G constitutes a transfer of your financial resources for B's use. Although you stated that the investments and loans to G were to earn a higher rate of return, they also served as a source of funding for G to own real estate.
- Your disbursements to H were also made to benefit B, and can be characterized as inurement. Initially, you indicated your distribution to D was a secured investment in H. You subsequently admitted that this was a loan and B had signed the mortgage as the manager of H. You also confirmed that H, was managed and % owned by B. You also explained that the collateral was in the company H. In this situation, your disbursement to H through D was a direct benefit to B because B managed H and is the sole owner of H.

Moreover, your funds are being used to further the private interests of G, J, K, and H. The disbursements of funds you made, although profitable to you and at rates that are reasonable, nonetheless promote the interests of G, H, J, K and is a benefit to B, an insider. Although the investments and loans may be a benefit to you, and in some instances are a better rate of return than other investments, this does not overcome that your funds are used to further the private interests of entities that are controlled or connected with your trustee B.

You are like the organization in Best Lock Corporation v. Commissioner, because you are providing a private source of credit to B and his various businesses and business partners. For example, you have provided investments to G, which only one third was evidenced by the Assumption of Notes you provided. You also made a b dollar disbursement to D that was a loan

to H, an LLC owned by B. You have also made other unsecured loans to B's business associates. Like the organization in the court case, you are promoting private rather than charitable purposes.

You are similar to Better Business Bureau v. United States. Although you may have some charitable purposes, the presence of the non-exempt purposes of operating for the private interests of B and his business associates precludes exemption.

#### Issue 2:

You have not met the requirements of Revenue Procedure 2011-9, because you did not provide information we asked for after repeated requests. For example:

- You were asked to provide distributions that J made to B since your inception. However, you only provided 20 and 20 distributions. You did not explain why you did not provide the information for the prior years 20, 20, or 20.
- The assignment of note documents from were not dated as relating to their execution but they were notarized in November 20 and June 20. You did not explain why the dates of the assignments were notarized after funds were initially paid to G or why these two assignments were notarized more than two and a half years apart.
- You did not explain why only was allocated in each assignment of note and not the full interest in the recorded mortgages. You did not explain why the subsequent disbursements were made more than two years before the second assignment of note.

You are similar to Bubbling Well Church of Universal Love, Inc. v. Commissioner. You have not provided an open candid disclosure of facts. You have given answers to our inquiries that were vague, contradicting, inconsistent and uninformative.

You were asked to describe various details of your investments and loans, but you did not provide all of the requested information. For example:

- You described your disbursement to D initially as a secured investment. You later admitted that it was a loan to H, an LLC owned by B. Moreover, the security for this loan was H, the LLC itself. Although you described H's basis for value as the secured equity in the real estate of H you did not provide any further details regarding this equity or that it was sufficient collateral.
- You were asked to describe K's business, but did not provide an answer.
- Concerning the loan to individual E, you were asked to provide loan documents for this loan and to describe the loan's purpose, the loan's collateral, and how E was connected to you and to B. Although you did not provide all the information requested, you did write E was a business associate of B.

You are similar to the organization in National Association of American Churches. You have not responded to questions completely and consistently. Moreover, we asked the same questions multiple times and continually received incomplete and inconsistent details regarding your operations.



You are like the organization in Peoples Prize v. Commissioner, because you have only provided generalizations and inconsistencies to our repeated requests. Therefore, like this organization you have failed to establish exemption.

You are similar to the organization in New Dynamics Foundation v. United States, because you have not met the burden of establishing that you meet the statutory requirement under Section 501(c)(3) of the IRC. You continually failed to fully and consistently respond to several of our questions. Moreover, your case was closed twice due to your failure to timely respond.

### **Applicant's Position**

Included with your answers to the additional information we requested were statements that you provide support to charitable organizations providing charitable and educational services to poor and needy individuals. In response to our claim that you have been unwilling to provide information, you wrote that you believe that you have taken all measures to provide us with all the information that has been requested in a professional and diligent manner. Additionally, you wrote that you were answering questions to the "best of your ability."

### **IRS Response to Applicant's Position**

You failed to provide any additional information from which it can be concluded that you are primarily organized and operated in accordance with section 501(c)(3). Although you state that you have answered questions "to the best of your ability", as in the court case United States v. Wells Fargo Bank, you must prove unambiguously that you qualify for tax exemption. Furthermore, similar to the organization in Harding Hospital, Inc. v. United States, 505 F2d 1068 (1974), you have the burden of proving that you satisfy the requirements for tax exemption. You have failed to prove that you are not operating for the benefit of your B, his businesses and his business associates.

### **Conclusion**

Based on the information submitted, you are not organized and operated exclusively for exempt purposes as described in section 1.501(c)(3)-1(a)(1) of the regulations.

You are operated for the private benefit of B, an insider and your founder and trustee. You have made distributions that ultimately flow to B. These distributions are prohibited inurement. Other investments and loans to entities that are controlled by B, constitute more than an insubstantial nonexempt purpose in addition to being prohibited inurement. You lack adequate control and discretion for the all of the disbursements you made and this shows that you are not operating within the requirements of Code section 501(c)(3). You further private interests, not public interests. You further commercial and business interests, which constitute more than an insubstantial nonexempt purpose. You have supplied inadequate evidence to show all disbursements are reasonable. You have not met the requirement for open candid disclosure of facts. You have not met your burden of establishing you are qualified for exemption.

Accordingly, you do not qualify for exemption as an organization described in Code section 501(c)(3).

## Right to File a Protest

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*.

*Types of information that should be included in your appeal can be found on page 2 of Publication 892, under the heading "Regional Office Appeal". The statement of facts (item 4) must be accompanied by the following declaration:*

*"Under penalties of perjury, I declare that I have examined the statement of facts presented in this appeal and in any accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete."*

*The declaration must be signed by an officer or trustee of the organization who has personal knowledge of the facts.*

*Your appeal will be considered incomplete without this statement.*

*If an organization's representative submits the appeal, a substitute declaration must be included stating that the representative prepared the appeal and accompanying documents; and whether the representative knows personally that the statements of facts contained in the appeal and accompanying documents are true and correct.*

An attorney, certified public accountant, or an individual enrolled to practice before the IRS may represent you during the appeal process. If you want representation during the appeal process, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*. All forms and publications mentioned in this letter can be found at [www.irs.gov](http://www.irs.gov), Forms and Publications.

If you do not file a protest within 30 days, you will not be able to file a suit for declaratory judgment in court because the IRS will consider the failure to appeal as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.



Please send your protest statement, Form 2848, and any supporting documents to the applicable address:

Mail to:

Internal Revenue Service  
EO Determinations Quality Assurance  
Room 7-008  
P.O. Box 2508  
Cincinnati, OH 45201

Deliver to:

Internal Revenue Service  
EO Determinations Quality Assurance  
550 Main Street, Room 7-008  
Cincinnati, OH 45202

You may fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Lois Lerner  
Director, Exempt Organizations

Enclosure, Publication 892